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Factors That Influence the Level of Banking BUMN Profitability Listed on the Indonesia Stock Exchange (IDX)

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Abstract

This study studies to analyze the factors that affect the profitability of state-owned banks listed on the Indonesia Stock Exchange. Cash turnover (X1), Capital Adequacy required with a Capital Adequancy Ratio (X2), Liquidity obtained with an LDR ratio (X3), and Operating Risk with a BOPO ratio (X4) on bank profitability as a dependent variable (Y). To implement the objectives of this study an analysis technique was used using the SPSS application with the financial statement data of each bank for the 2015-2019 period. The results obtained by cash turnover (X1), capital adequacy (X2), and operating risk (X4) as an independent variable have a significant positive effect on profitability (Y) but, on variable X3, namely the ratio of loans to Deposit Ratio (LDR). positive but not significant to bank profitability.

Keywords: Cash Turnover, Capital Adequacy (CAR), Liquidity (LDR), Operating Risk (BOPO) and Banking Profitability

INTRODUCTION

The Indonesian economy has banking as a sector that has the function of being a financial intermediary between surplus and deficit parties. Banking also functions to smooth the flow of payment flows (Veithzal et al., 2007). The progress of a country can be measured by the development of its banks, so that a bank is expected to be able to continue to increase the profitability of the company so that people's lives can continue and provide confidence in the bank.

Banking in Indonesia is grouped into four periods, namely in 1990, conditions before deregulation of the real and monetary sector, conditions after the emergence of deregulation until the period before the economic crisis, and conditions during the current economic crisis and banking conditions. OJK (Financial Services Authority has confirmed, the health condition of banks in general is still good until now.

The bank has a general purpose, which is a provider of payment instruments or easy mechanisms for customers and receiving savings and lending funds. There are four banking principles, namely the principle of trust, the principle of prudence, the principle of confidentiality and the principle of knowing customers. The principle of trust (*Fiduciary principle)* has been explained in detail in Law No. 10 of 1998 article 29 paragraph 4 which contains amendments to the Banking Law No. 7 of 1992 which was later referred to as the Banking Act. The Banking Law firmly states that banks, especially those working to collect and store public funds, are based on the principle of trust. So that every bank needs to maintain health and public trust.

Given the importance of the role and influence of banking in a country, the financial performance of banks is one factor that must be considered. Financial performance assessment is carried out in order to determine whether or not economic activity is healthy. Financial performance assessment is carried out by several parties, namely shareholders, company management, the government and other interested parties in banking.

Management assesses bank performance by measuring the achievements of the bank. One of the assessments of banking soundness is carried out through an evaluation of the BOPO ratio component. The BOPO ratio is used as a proxy to measure the level of operational efficiency of a bank. High operational costs compared to operating income obtained by banks will affect the financial performance of the bank (Prasetyo 2015). The higher the level of cash turnover means the more efficient the level of cash usage and the lower the level of turnover the more inefficient.

Capital is a very important factor for banks in developing their business. An adequate level of capital adequacy can protect a bank when experiencing losses from unexpected operational activities (Anjani, 2014).

Banks are required to maintain liquidity levels in order to be able to continue to fulfill their obligations in banking operations and improve bank performance so that public confidence will continue to increase. Good liquidity management can support banking health and stability, and reduce the risk of bankruptcy (Noraini, 2013).

The assessment of liquidity aspects shows the ability of banks to manage an adequate level of liquidity in order to meet their obligations in a timely manner and to meet other needs (Nugrhaeni, 2016).

One of the assessments of banking soundness is carried out through an evaluation of the BOPO ratio component. According to Dendawijaya (2009) BOPO is a comparison between operating costs and operating income. This ratio is used to measure the level of efficiency and the ability of banks to carry out their operations. If the level of BOPO produced is lower the management performance of the bank means better.

Profitability is a measuring tool that is able to assess the achievements of banks, by ensuring the level of liquidity through bank cash supply, maintaining capital adequacy as well as operating effectively and efficiently in order to be able to increase company profitability so as to maintain public confidence. The ability of banks to increase profitability can show a good bank performance whereas if the profitability achieved is low, then the bank's less than maximum performance in generating profits (Harahap, 2008).

According to Sudiyatno and Purwoko (2013) in the results of their research on the factors that affect profitability revealed that the variable of cash turnover, and capital adequacy had a positive and significant effect on profitability, operating risk had a negative and significant effect on profitability while the other variables did not significantly influence profitability. Based on the results of previous studies, the researchers are interested in using the variable cash turnover, capital adequacy, liquidity and operating risk as factors that significantly influence profitability.

This study focuses on state-owned banks listed on the Indonesia Stock Exchange (IDX), namely PT. Bank Negara Indonesia, PT. Bank Rakyat Indonesia, PT. Bank Tabungan Negara, and PT. Bank Mandiri.

Table 1.1 List of BUMN & ROA Commercial Banks 2015-2019

No.	Company name	ROA				
		2015	2016	2017	2018	2019
1	PT. Bank Negara Indonesia	2.6	2.7	2.7	2.8	2.4
2	PT. Bank Rakyat Indonesia	4.19	3.84	3.69	3.68	0.43
3	PT. Bank Tabungan Negara	1.6	2.5	2.5	3.6	3.4
4	PT. Mandiri Bank	3.15	1.95	2.72	3.17	3.42

The Return On Assets of state-owned banks listed on the Indonesia Stock Exchange in the 2015-2019 period experienced fluctuations in the current year, but Bank Rakyat Indonesia experienced the greatest decline in ROA of 0.43 in 2019 and PT Bank Mandiri Tbk continued to increase profitability for the 2015-2019 period, namely 3.4 in 2019. So that researchers are interested in examining the profitability of state-owned banking companies in the 2015-2019 period.

LITERATURE REVIEW

Cash Turnover

Cash turnover is the ability of cash to generate income so that it can be seen how many times the cash has been spinning in a certain period (Hasley Wild 2013). The higher the level of cash turnover means the more efficient the level of use of cash and the lower the level of turnover the more inefficient.

Cash turnover is known by comparing the amount of income and lending with the average cash amount. Thus the cash turnover rate shows the speed of return of working capital embedded in cash or cash equivalents into cash back through sales or income. Cash turnover rate is a measure of the efficiency of cash use by the company. Because the level of cash turnover illustrates the speed of cash flow of the return of cash that has been invested in working capital.

Capital Adequacy (CAR)

Capital adequacy ratio is the ratio that represents the ability of banks to provide funds used as reserves to overcome the possibility of loss risk. Capital Adequacy Ratio (CAR) of all assets owned by banking institutions in the form of loans, investments, securities, and bills at other banks containing risks that must be financed from own capital and also funds obtained from other sources such as funds from the public in the form of savings, current accounts, deposits, and others.

The Bank for International Settlement (BIS) determines the minimum capital adequacy ratio of 8%. Although initially this provision was not absolute and binding, it was later adopted by all central banks in the world, including Bank Indonesia as the highest authority in the banking sector . CAR shows the extent to which the decline in bank assets that can still be covered by available bank equity, the higher the CAR, the better the bank's condition (Tarmidzi, 2003).

Liquidity

According to Kasmir (2008: 225) defines LDR is the ratio shows the composition of the amount of credit disbursed compared to the amount of third party funds and own capital used. Liquidity management is the ability of bank management to provide sufficient funds to fulfill all obligations and commitments that have been issued to customers at any time.

A bank with a proper liquidity level will have the possibility to meet its obligations, even in difficult situations as bank runs. From this perspective, a "comfortable" ratio decreases the risks of failure which may reduce the financing costs and enhance the profitability (Alexiou and Sofoklis, 2009). The LDR ratio is a measure of the bank's ability to repay withdrawals by relying on loans. If the LDR (loan to deposit ratio) ratio is low, the higher the level of bank liquidity. The safe limit of a bank's LDR is around 80%. However, the maximum LDR limit is 110%.

Operating Risk (BOPO)

Operational risk that affects the weak condition of the banking sector is a complex problem, where banking companies always try to provide the best service to customers, and at the same time banks must keep trying to operate efficiently. (Veithzal, et al 2007).

BOPO ratio (Operating Expense Operating Income) is a comparison between operating costs and operating income in measuring the level of efficiency of a bank in conducting its operations. BOPO ratio is used to improve the efficiency and ability of banks to carry out their level of operations (Dendawijaya, 2009)

Banking Profitability

Bank profitability is the ability of companies to make a profit as a picture of the level of success that can be achieved by banks in their operational activities (Winarno et al., 2015). The return on assets (ROA) ratio as a measure of bank profitability is supported by Bank Indonesia as the supervisor and supervisor of banking companies prioritizing the measured profitability value of assets in most public savings funds (Wendriani, 2019).

According to institutions (2015), profitability is an important factor in assessing banking performance, where profits are a source of funding, expansion of business activities and as a reserve for losses from potential banking risks.

HYPOTHESIS

Cash Turnover towards Profitability

Cash turnover is cash that is invested in the working capital group until it returns to cash within a period. According to Riyanto (2001: 95) the comparison between the number of sales with the average amount of cash to calculate the level of cash turnover of a company.

Based on the results of research Narayana (2013), cash turnover has a positive effect on profitability. Along with Yulistiani (2016) who concluded that the increased level of cash turnover will be followed by increased profitability. Cash turnover shows the ability of cash in generating income so that it can be seen how many times the cash revolves in a certain period. The higher the cash turnover, the better. Because this means that the higher the efficiency of the use of cash and the benefits obtained will be even greater.

H1 :Cash turnover has a positive and significant effect on profitability.

Capital Adequacy on Profitability

If the CAR value is small, it means the ability of a bank to cover the risk is small, and vice versa if the CAR is high, it means the bank's ability to cover the risk is high. The greater the ability of a bank to cover the risk will make profits even greater so that it will increase profitability.

Based on previous research conducted by Nusantara (2009) shows the influence of CAR on profitability. While research by Prasanjaya CAR (2013) CAR shows no significant effect on profitability. However, in research conducted by Nugrahanti (2018) CAR has a significant effect on profitability.

H2 : Capital adequacy has a positive and significant effect on profitability.

Liquidity towards profitability

Banks that have large total assets, have the opportunity to extend credit to the borrower in a larger amount, so as to obtain high profits (Alper, et., Al., 2011). Based on the results of Buyung's research (2007) that LDR has a significant effect on profitability. Supported by the results of research conducted by Prasanjaya (2013), namely LDR affect profitability. Liquidity management and efficiency management can be a source of risk. Lack of liquidity can lead to bankruptcy, while poor efficiency management can affect profitability and affect market expectations.

H3: Liquidity has a positive and significant effect on profitability.

Operating Risk to Profitability

Operating Expenses Operating Income (BOPO) is the ratio between operating expenses to operating income. BOPO ratio shows the efficiency of banks in running their main business, especially credit, where credit interest is the biggest income of banks.

Prasanjaya research results (2013) BOPO has a significant effect on profitability while according to Ariani (2013) through his research stated that BOPO or Operating Expense Operating Expenses have no effect on profitability and supported by Prasetya (2015) operational efficiency has a significant negative effect on profitability.

H4: Operating risk has a negative and significant effect on profitability.

RESEARCH METHODOLOGY

This research is a quantitative type of research. The variables used are cash turnover, capital adequacy, liquidity, operating risk as the dependent variable, and profitability as an independent variable.The sample of this study is state-owned banking which is included in LQ 45 companies.The data used are secondary data obtained from annual reports with a time period from 2015 to 2019. This study uses SPSS as a descriptive statistical analysis and classical assumption test.

ANALYSIS AND DISCUSSION

Descriptive statistics

The results of the study answer the problems that have been formulated. This study uses until l 4 p erbankan BUMNs included in the LQ 45 .

Table 1
Descriptive Statistics

Descriptive Statistics					
	N	**Minimum**	**Maximum**	**The mean**	**Std. Deviation**
Cash Turnover	**40**	**2.32**	**35.35**	**13.4628**	**9,48986**
Capital Adequacy (CAR)	**40**	**13.36**	**22.84**	**18,6185**	**2,53424**
Liquidity (LDR)	**40**	**15.03**	**108.86**	**87.5155**	**19,51237**
Operating Risk (BOPO)	**40**	**62.41**	**96.80**	**74.2693**	**8.05979**
Profitability (ROA)	**40**	**.43**	**4.19**	**2.7940**	**.83325**
Valid N (listwise)	**40**				

Source: Data processed, 2020

Based on the table of descriptive statistical analysis results, it is known that the average value of cash turnover is 13.4628, for the drinking value is 2.32 and the maximum value is 35.55. For the variable capital adequacy (CAR) has an average value of 18,6185, with a minimum value of 13.36 and a maximum value of 22.84. For the liquidity variable (LDR) the average value is 87.5155 and the minimum LDR value is 15.03 and 108.86 is the maximum value owned by the LDR. For the BOPO variable, the average value is 74.2693,the minimum value is 62.41 and the maximum value is 96.80. And for the value of the ROA variable on the statistical results the average value is 2.7940, a minimum of 0.43 and a maximum of 4.19.

Classic assumption test

Data normality test is used to determine the variables used in research normally distributed or vice versa. The normally distributed research data is good research data. Kolmogorov-Smirnov Test

Based on the results of statistical tests with the SPSS program 25 variables in this study were normally distributed. This is evidenced by the significant value greater than 0.05 which is equal to 0.046.

Model Feasibility Test

Regression test results, it is known that the significant value for the F test in equation 1 model is obtained at 0,000. Because, the significant value above is smaller than 0.05, so it can be said that all variables jointly influence the value of banking profitability.

Coefficient of Determination

The coefficient of determination (*R)* test is a test conducted to find out how much the independent variable is able to influence the dependent variable.

Table 2
Coefficient of Determination

Summary Model				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.945 [a]	.894	.881	1,659

Source: *SPSS Output 25*

The *summary I model* table above shows a value of 0.894 which means that the variable cash turnover, capital adequacy (CAR), liquidity (LDR), operating risk (BOPO) to the profitability of BUMN banks (ROA) is 0.894 while the rest of 0.106 is influenced by other variables not included in this study.

The results of regression testing with the SPSS 25 program answer the research hypotheses that have been determined in this study in accordance with the empirical review as follows:

1. The influence of cash shifts on the profitability of state-owned banks.
   The results of data processing shows that the value = 3.312 and a significant
   value of 0.002 <0.05 means that cash turnover has a positive and significant
   effect. This shows that the H1 hypothesis is accepted.
2. Effect of capital adequacy (CAR) on BUMN banking profitability.
   The results of data processing shows that the value = 3.111 and a significant value of 0.004 <0.05 means that the capital adequacy (CAR) has a positive and significant effect. This shows that the H2 hypothesis is accepted.
3. Effect of liquidity (LDR) on the profitability of BUMN banks.
   The results of data processing shows that the value = 0.841 and a significant value of 0.406> 0.05 means that liquidity (LDR) has a positive but not significant effect. This shows that the hypothesis H3 is rejected.

   Although the positive effect between liquidity (LDR) on the profitability of state-owned banks, but based on LDR statistical data results are not significant in accordance with the H3 hypothesis because the value in the LDR coefficients table is 0.406 which is greater than 0.005.

4. The effect of Operational risk (BOPO) on the profitability of BUMN banks.
   The results of data processing shows that the value = -16,071 and a significant value of 0,000 <0.05 means that the operating risk (BOPO) has a negative and significant effect. This shows that the hypothesis H4 is accepted.

DISCUSSION

Regression test results indicate that the cash turnover variable has a positive and significant effect. This means that the better the cash turnover will increase the profitability of BUMN banks. With the increase in profitability based on good cash turnover, it will be in line with the increasing public trust in BUMN banks. This research is consistent with previous research conducted by Narayana (2013) Yulistiani (2016).

The variables related to the regression test results show that the capital adequacy variable has a positive and significant effect. This is evidenced by the results of the test which obtained a beta coefficient of 0.182 and a significant value of 0.004. That is, the higher the value of capital adequacy, the value of profitability will increase. With the increase in profitability, BUMN banks are increasingly efficient in carrying out BUMN banking operations. This research is consistent with previous research conducted by Nusantara (2009) and Nugrahanti (2018).

Furthermore, the results of the study showed that the liquidity variable (LDR) had a positive but not significant effect. This is evidenced by the results of the test which obtained a beta coefficient of 0.051 and a significant value of 0.406. Where the significant value of liquidity (LDR) to the profitability of banks above the standard value is significant at 0.005. Based on the theory that has been explained, that liquidity (LDR) plays an important role in increasing bank profitability. With the results of research conducted by Prasanjaya (2013), the LDR affects profitability. However, the results of liquidity data (LDR) on the profitability of state-owned banks listed on the Indonesia Stock Exchange in the 2015-2019 period showed an insignificant LDR value of 0.406. This means that liquidity has a positive effect but does not have full significance on the profitability of banks, especially state-owned banks.

Operating risk variables using the Operating Expense Operating Income (BOPO) ratio indicate that the operating risk variable (BOPO) has a negative and significant effect. This study is consistent with previous research conducted by Ariani (2013) through the results of his research stating that BOPO or Operating Expense Operating Revenues do not have an effect on profitability and Prasanjaya (2013) which states BOPO has a significant effect on profitability. Based on the theory that has been explained (Veithzal, et al 2007), operating risks that affect the weak condition of the banking sector where the best service delivery to customers and at the same time banks must continue to make efforts to streamline banking operations.

CONCLUSION

Based on the results of the analysis that has been done shows that the factors affecting BUMN banking profitability, by measuring the cash turnover ratio (X1), capital adequacy (CAR) (X2) , and operating risk (BOPO) (X3) have a significant positive effect on profitability (Y) BUMN banking. While based on the results, the X3 variable namely liquidity (LDR) has a positive but not significant effect. This means that the effect given by the liquidity variable on bank profitability does not have a significant effect because the influence given from lending to third parties is not supported by credit quality. Credit quality must still be considered by banks in providing credit to third parties, while maintaining banking principles. By paying attention to the quality of lending and maintaining the principles of BUMN banks will be able to increase the profitability of BUMN banks.

SUGGESTION

It is expected that companies pay attention to banking principles, maintain public confidence in order to be able to increase the profitability of banks, particularly state-owned banks. Especially in granting loans, in order to continue to be effective and efficient in the quality of banks.

This study uses the period 2015-2019 , so for research in the following years this research needs to be tested again. Future studies are expected to use other variables that are predicted to be able to influence bank profitability.

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